

NE CENTRE OF COMMUNITY SOCIETY

FINANCIAL STATEMENTS (Audited)

DECEMBER 31, 2021



NE CENTRE OF COMMUNITY SOCIETY

DECEMBER 31, 2021

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Independent Auditor's Report

**To the Members of:
NE Centre of Community Society**

Report on the Audit of the Financial Statements

Opinion

I have audited the Statement of Financial Position of the NE Centre of Community Society (NECCS) as at December 31, 2021 and the Statements of Operations, Net Assets and Cash Flows and a summary of significant accounting policies and other explanatory notes for the year ended December 31, 2021.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the NE Centre of Community Society as at December 31, 2021 and the results of its operations and cash flows for the year ended December 31, 2021 in accordance with Canadian accounting standards for not-for-profit associations.

Basis for Opinion

I am independent of the NE Centre of Community Society in accordance with the ethical requirements that are relevant to my audit and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole in forming my opinion thereon and I do not provide a separate opinion on these matters. During the fiscal year, the Society had been defrauded of \$500,000. A policy investigation is ongoing, but as the money went out of the country, no progress has been made (Note 15).

Please note, that the bottom line includes an unrealized gain of \$765,916.

Management's Responsibility

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit associations and for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the NE Centre of Community's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, concluding on the appropriateness of management's use of the going concern basis of accounting as well as evaluating the overall presentation of the financial statements. I would like to draw your attention to Note 17 - COVID-19 Effect.

I communicate with those charged with governance regarding the planned scope and timing of the audit and significant audit findings including any significant deficiencies in internal control that I identify during my audit.



Calgary, Alberta
March 21, 2022

Heidi Brauer
Chartered Professional Accountant

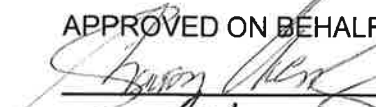
NE CENTRE OF COMMUNITY SOCIETY
STATEMENT OF FINANCIAL POSITION
(Audited)

As at December 31, 2021


	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents, unrestricted	\$ 246,562	\$ 478,934
Investment, internally restricted (Notes 5 & 8)	2,093,582	1,476,638
Accounts receivable, unrestricted (Note 16)	1,527,926	469,866
GST receivable	43,506	22,888
Prepaid expense	28,551	26,103
	3,940,127	2,474,429
EXTERNALLY RESTRICTED ASSETS (Note 10)	104,536	3,421
COMMON AREAS OPERATING RESERVE (Note 11)	5,569,581	5,673,935
LONG TERM INVESTMENT , internally restricted (Notes 5 & 8)	4,219,369	3,722,988
PROPERTY AND EQUIPMENT (Note 3)	20,325,294	21,347,977
	\$ 34,158,907	\$ 33,222,750
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (Note 16)	\$ 1,215,622	\$ 120,044
Deferred cash contributions (Note 10)	104,536	3,420
Deferred revenue	28,803	-
	1,348,961	123,464
DEFERRED CAPITAL CONTRIBUTIONS (Note 6)	15,648,807	16,607,470
NET ASSETS		
Unrestricted	602,120	877,748
Common Areas Operating Reserve (Note 11)	5,569,581	5,673,935
Internally restricted	6,312,951	5,199,626
Invested in property and equipment	4,676,487	4,740,507
	17,161,139	16,491,816
	\$ 34,158,907	\$ 33,222,750

Commitment (Note 8)

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS:



Director



Director

See Notes to the Financial Statements

NE CENTRE OF COMMUNITY SOCIETY
STATEMENT OF CHANGES IN NET ASSETS
(Audited)

For the Year Ended December 31, 2021

	Unrestricted	Internally Restricted	Invested in Property and Equipment	Common Areas Operating Reserve	2021 Totals	2020 Totals
Balances, beginning of year	877,748	5,199,626	4,740,507	5,673,935	16,491,816	15,839,041
Transfer of Funds	(1,113,325)	1,113,325	-	-	-	-
Increase (Decrease)	837,697	-	(64,020)	(104,354)	669,323	652,775
Balances, end of year	\$ 602,120	6,312,951	4,676,487	5,569,581	17,161,139	16,491,816

See Notes to Financial Statements

NE CENTRE OF COMMUNITY SOCIETY
STATEMENT OF OPERATIONS
(Audited)

For the Year Ended December 31, 2021

	2021	2020
REVENUE		
Donations and Government grants (Note 4)	\$ 1,024,769	\$ 1,149,578
Facility rental	780,419	545,255
Commons area	402,759	315,946
Leases	336,589	243,709
Admission and passes	119,485	127,691
Programs and supplies (Note 13)	66,391	52,373
Commission and sponsorship	28,496	113,007
Casino contributions (Note 12)	-	68,593
	2,758,908	\$ 2,616,152
EXPENSES		
Wages and benefits	1,462,563	1,424,527
Common area	551,193	587,199
Security Breach (Note 15)	500,000	-
Administration	321,062	286,238
Building operations	185,647	205,747
Programs and supplies (Note 13)	44,627	35,666
Marketing	38,023	54,208
	3,103,115	2,593,585
Deficiency of revenue over expenses from operations	(344,207)	22,567
Common operating reserve fund including partners	(375,000)	(125,000)
Investment income (Note 9)	728,065	595,925
Depreciation expense	(1,064,114)	(1,076,100)
Amortization of deferred capital contributions (Note 6)	958,663	958,663
Excess of revenue (deficiency) after amortization, investment income and before unrealized gain	(96,593)	376,055
Unrealized gain (Note 9)	765,916	276,720
EXCESS OF REVENUE OVER EXPENSES AFTER AMORTIZATION AND UNREALIZED GAIN	\$ 669,323	\$ 652,775

See Notes to Financial Statements

NE CENTRE OF COMMUNITY SOCIETY
STATEMENT OF CASH FLOWS
(Audited)

For the Year Ended December 31, 2021

	2021	2020
Cash generated from (used in):		
OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 669,323	\$ 652,775
Charges not requiring cash outlay:		
Depreciation	1,064,114	1,076,100
Amortization of deferred capital contributions (Note 6)	(958,663)	(958,663)
Changes in non-cash operating working capital:		
Accounts receivable	(1,058,059)	1,325,647
GST receivable	(20,618)	15,914
Prepaid expenses	(2,448)	45,686
Accounts payable	1,095,578	(38,094)
Deferred revenue	28,803	(18,074)
	818,030	2,101,291
FINANCING ACTIVITIES		
Deferred Cash Contributions	101,116	(2,068,666)
Deferred capital contributions	-	2,000,000
	101,116	(68,666)
INVESTING ACTIVITIES		
Furniture & equipment	(2,128)	(144,684)
Construction costs	(39,304)	(3,400,000)
Investments	(1,008,971)	(418,512)
	(1,050,403)	(3,963,196)
DECREASE IN CASH AND CASH EQUIVALENTS	(131,257)	(1,930,571)
Cash and cash equivalents, beginning of the year	482,355	2,412,926
CASH AND CASH EQUIVALENTS, END OF THE YEAR	\$ 351,098	\$ 482,355
Consisting of:		
Cash and cash equivalents, unrestricted	\$ 246,562	\$ 478,934
Cash and cash equivalents, externally restricted	104,536	3,421
	\$ 351,098	\$ 482,355

See Notes to Financial Statements

NE CENTRE OF COMMUNITY SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

1. SOCIETY

The NE Centre of Community Society ("the Society") was incorporated with the Province of Alberta on November 18, 2005 as a not for profit association and as such is exempt from income tax under section 149 of the Canadian Income Tax Act.

The Society is a registered charity.

The Society was established to build and sustain a strong community by encouraging community leadership, promoting volunteerism and creating a bridge between the diverse cultures within a fun family environment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared according to Canadian accounting standards for not for profit organizations, of which the most significant policies are:

Revenue Recognition:

Unrestricted contributions are recorded according to the accrual method where revenue is recognized when received or reasonable assurance is given, that it is receivable.

Externally restricted contributions are recorded according to the deferral method, where revenue is recognized when the related expense occurred.

Contributed Services:

A number of volunteers have spent a considerable amount of time to develop the Societies projects. This contributed time has not been taken into consideration in these financial statements.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, balances with banks and short term deposits with original maturities of three months or less.

NE CENTRE OF COMMUNITY SOCIETY
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

Financial Instruments

Measurement of Financial Instruments:

The Society initially measures its financial assets and financial liabilities at fair value. The Society subsequently measures all its financial assets and financial liabilities at cost or amortized cost. Changes in fair value of these financial instruments are recognized in net income. Financial instruments measured at amortized cost include cash, accounts receivable and accounts payable.

Financial Risk:

It is management's opinion that the Society is not exposed to significant interest, currency, price, market or credit risks arising from these financial instruments.

Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the statement of financial position date and the reported amounts of revenues and expenses for the periods covered. The main estimates relate to the collectability of receivables, the useful life of property and equipment and the amounts recorded as accrued liabilities.

Property and Equipment

Property and equipment over \$5,000 are recorded at cost and amortized on a straight line basis over the estimated life of the asset according to the following rates:

Building and improvements	25 years
Furniture and equipment	10 years
Computer hard and software	3 years

No residual value and no 50% of amortization in the first year are taken into consideration.

3. PROPERTY AND EQUIPMENT

	Cost	Accumulated Amortization	Net 2021	Net 2020
Equipment and furniture	\$ 2,394,931	2,256,824	138,107	165,169
Building	29,624,088	9,436,901	20,187,187	21,182,808
	<u>\$ 32,019,019</u>	<u>11,693,725</u>	<u>20,325,294</u>	<u>21,347,977</u>

The land the building is situated on is leased from the City of Calgary at a nominal fee.

NE CENTRE OF COMMUNITY SOCIETY
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

4. GOVERNMENT GRANTS AND DONATIONS

	2021	2020
Canada Emergency Wage Subsidy Grant (CEWS)	\$ 412,620	\$ 571,415
Canada Student Employment Grant	13,125	-
Government of Alberta - Emergency Resiliency Fund (ERF)	-	10,000
Alberta Relaunch Grant	-	5,000
City of Calgary - COVID funding	54,000	-
Celebrate Canada Grant	12,422	-
Alberta Multicultural Grant	2,362	-
Family & Community Support Services Association of Alberta (FCSSAA)	5,000	-
Alberta Small and Medium Enterprises Relaunch Grant	25,000	15,000
Canada Emergency Commercial Rent Subsidy (CECRA)	-	41,160
Alberta Culture Days Grant*	-	4,000
	<u>524,529</u>	<u>646,575</u>
Donations	<u>500,240</u>	<u>503,003</u>
	<u>\$ 1,024,769</u>	<u>\$ 1,149,578</u>

*\$4,000 received for Alberta Culture Days are included in event revenue.

Donations include \$500,000 from the Genesis Land Development Corporation for naming rights (Funds have been received until 2021 with naming rights for an additional five years without receiving funding).

5. TERM DEPOSITS/MANAGED FUNDS

In July of 2014, the Society entrusted the Calgary Foundation with an operating reserve of \$250,000 and a capital maintenance reserve (Life Cycle) of \$1,516,152.

Both funds are recorded as internally restricted investments, the operating reserve as short term and the capital maintenance reserve as long term (Note 8). As per board approval, additional \$500,000 plus interest were added yearly, except for 2020, when the \$500,000 were not invested due to the uncertainty of the COVID-19 pandemic (Note 16). In 2021 an additional \$400,000 were transferred from the operating reserve fund.

	2020	Addition	Investment income	Unrealized Gain	Withdrawals	Admin. fees	2021
Operating cash, short term Lifecycle cash, long term	\$ 1,476,638	900,000	115,189	121,418	(500,000)	(19,663)	2,093,582
	<u>3,722,988</u>	-	<u>266,373</u>	<u>281,595</u>	-	<u>(51,587)</u>	<u>4,219,369</u>
	<u>\$ 5,199,626</u>	<u>900,000</u>	<u>381,562</u>	<u>403,013</u>	<u>(500,000)</u>	<u>(71,250)</u>	<u>6,312,951</u>

**NE CENTRE OF COMMUNITY SOCIETY
NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2021

6. DEFERRED CAPITAL CONTRIBUTIONS

Externally restricted cash contributed to the purchase of property and equipment is recorded as deferred capital contributions and will be amortized on the same basis and brought into income as the related capital asset is amortized and expensed.

	<u>2021</u>	<u>2020</u>
Carried forward from previous year	\$ 16,607,470	\$ 15,566,132
Plus: Addition	-	2,000,001
Less: Amortization	<u>(958,663)</u>	<u>(958,663)</u>
Balance to next year	<u>\$ 15,648,807</u>	<u>\$ 16,607,470</u>

7. INTERNALLY RESTRICTED CASH

Aligned with the lease agreement with the City of Calgary (Note 8), in 2012 the Board of Directors set up two reserve funds. One is the Capital Maintenance Reserve Fund and the other is the Operating Reserve Fund. In 2021 \$900,000 (2020 - NIL) and interest were transferred in and \$ 500,000 (2020 - \$ Nil) were withdrawn (Note 5) due to a security breach (Note 15). The withdrawal was transferred to the Operating Account.

8. COMMITMENT

According to the lease agreement with the City of Calgary, the NE Centre of Community Society was required to establish two interest bearing reserve funds, a Capital Maintenance Reserve Fund and an Operating Reserve Fund. The Society contributed Five Hundred Thousand (\$500,000) Dollars each year for four years to attain the initial amount of the Capital Maintenance Reserve Fund of Two Million (\$2,000,000) Dollars. The balance as per December 31 in this fund was \$4,219,369 (Note 5).

In addition, the Society established an Operating Reserve in the initial amount of Two Hundred Thousand (\$200,000) Dollars, with a minimum value of Two Hundred Fifty Thousand (\$250,000) Dollars after five years. This commitment had been fulfilled during the 2015 fiscal year and some of these funds were transferred to a long term investment.

9. INVESTMENT INCOME

Investment income is a net amount consisting of:

	<u>2021</u>	<u>2020</u>
Interest	\$ 41,524	\$ 98,449
Dividends	252,503	207,843
Capital gain	<u>434,038</u>	<u>289,633</u>
Investment income before unrealized gain	728,065	595,925
Unrealized Gain	<u>765,916</u>	<u>276,720</u>
Investment income after unrealized gain	<u>\$ 1,493,981</u>	<u>\$ 872,645</u>

NE CENTRE OF COMMUNITY SOCIETY
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

10. EXTERNALLY RESTRICTED ASSETS/DEFERRED CASH CONTRIBUTIONS

Unspent casino and grant funding are restricted to be spent according to approved objectives.

	2021	2020
Casino	\$ 79,536	\$ 3,421
Family & Community Support Services Association of Alberta (FCSSAA)	25,000	-
	\$ 104,536	\$ 3,421

11. COMMON AREAS OPERATING RESERVE

During the 2016 fiscal year, the Society was entrusted by the City of Calgary and the NECCS Governance Board with \$5,062,503 for the NECCS Common Areas Operating Reserve Fund. This fund was invested with the Calgary Foundation with forecasted withdrawals annually of \$250,000.

The Common Areas Operating Fund has been designated by the Governance Board as a "quasi-endowment fund" and, as such, it is intended that the principal of the Fund be preserved with only the annual income from the Fund being used to offset the operating costs of the Common Areas. It should be noted, that the Governance Board does have the right to decide at any time to expend some or all of the principal of the Common Areas Operating Fund, but would only do so under extraordinary circumstances.

In 2021, due to the extraordinary circumstances of the COVID-19 global pandemic, the Governance Board made the decision to withdraw \$750,000 rather than the forecasted \$250,000.

2020 Balance	Withdrawals	Investment Income	Unrealized Gain	Transfer	Admin. Fees	2021 Balance
\$5,673,935	(750,000)	343,157	362,903	-	(60,414)	5,569,581

12. CASINO CONTRIBUTIONS

	2021	2020
Casino beginning balance	\$ 3,421	\$ 72,086
Plus: Casino pool	76,187	-
Less: Bank charges	72	72
Less: Casino bank balance (Note 10)	79,536	3,421
Contribution to operations	\$ -	\$ 68,593

NE CENTRE OF COMMUNITY SOCIETY
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

13. PROGRAMS AND SUPPLIES

	2021	2020
Revenues:		
Partnership initiatives	\$ 58,199	\$ 47,859
Cultural festival	4,000	1,605
Other	4,192	-
Revenue share program	-	2,909
	66,391	52,373
Expenses:		
Community investment projects	21,185	16,708
3rd party service and equipment	16,566	9,314
Partnership initiatives	6,876	9,644
	44,627	35,666
Excess of revenue over expenses	\$ 21,764	\$ 16,707

14. SUPPORT TO COMMUNITY GROUPS

The Society is committed to giving back to the Community it serves. In 2021 and 2020 the Society hosted a number of free community events. In addition to these events, the Society gives back to the community with volunteer hours, free drop-in and play days, subsidized rentals and a number of other initiatives. Additionally, the Society extended monetary grants and scholarships amounting to \$10,000 (2020 - \$12,000) to various organizations and individuals.

15. SECURITY BREACH

A security breach of unauthorized access to the email account of a staff member by a very sophisticated group of scammers occurred in early 2021. \$500,000 were transferred out of the Society's Operating Account. The police was involved, but as the transfer went out of the country, it is doubtful, that the funds can be recovered. Genesis Centre is taking all measures to mitigate the financial impact of this breach and putting additional measures in place to reduce the risk of such events in the future

16. ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE

In June 2020 the Society was heavily impacted by the violent hail storm that swept through the community. This raised the insurance costs, contractor fees and additional costs of replacing the siding on the entire facility with something that is more hail resistant. In January of 2022, the Society received on behalf of the three partners, an insurance refund of \$1,148,906. It was set up as a receivable and an accrued liability, as it will have to be forwarded to the Calgary Public Library. The Calgary Public Library administered the construction project on behalf of the partners. As the insurance claim did not cover the replacement of the entire facility's siding, the Governance Board will be withdrawing additional funds in 2022, from the Commons Area Life Cycle Reserve Fund to complete this project, which will likely result in reduced insurance rates moving forward.

**NE CENTRE OF COMMUNITY SOCIETY
NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2021

17. COVID-19 EFFECT

Due to periodic closures during the year, the Society was not fully operational. This affected the revenue and the expenses during the year. There is still some uncertainty, how potential new variances will effect operations for the 2022 fiscal year.